

BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1938

TWENTY-SIXTH ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1938

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Brazilian Traction, Light and Power Company, Limited.

(Incorporated under the Laws of the Dominion of Canada.)

AUTHORIZED SHARE CAPITAL.

ORDINARY SHARES —7,600,000 shares of No Par Value, subject to increase up to a total of 7,933,333 shares of No Par Value by conversion of Preference Shares.

PREFERENCE SHARES—100,000 shares of the Par Value of \$100 each, convertible into Ordinary Shares of No Par Value on the basis of 3 Preference Shares for 10 Ordinary Shares. (Approximately 96% of these shares have been converted at the date of this report.)

Board of Directors.

MILLER LASH, K.C., *President.*

E. R. WOOD, *Vice-President.*

H. MALCOLM HUBBARD, *Vice-President.*

SIR HERBERT COUZENS, K.B.E., *Vice-President.*

RIGHT HON. SIR THOMAS WHITE, G.C.M.G.

S. G. CROWELL, K.C.

JOHN DAVIDSON.

WALTER GOW, K.C., *Vice-President.*

A. W. K. BILLINGS, *Vice-President.*

SIR ALEXANDER MACKENZIE, K.B.E.

A. P. HOLT.

C. D. MAGEE.

E. H. STEWART.

Secretary and Treasurer.

A. W. ADAMS.

Assistant Secretaries.

D. H. CROMAR.

W. D. HOOPER.

Bankers.

THE CANADIAN BANK OF COMMERCE,
TORONTO, NEW YORK AND LONDON.

THE BANK OF SCOTLAND,
EDINBURGH AND LONDON.

LLOYDS BANK LIMITED, LONDON.

Solicitors.

BLAKE, LASH, ANGLIN & CASSELS, TORONTO.

Auditors.

CLARKSON, GORDON, DILWORTH & NASH, TORONTO.

Offices.

HEAD OFFICE - - - - - 25 KING STREET WEST, TORONTO 2, CANADA.
LONDON AGENTS - - - - - CANADIAN & GENERAL FINANCE CO., LIMITED,
3 LONDON WALL BUILDINGS, E.C. 2.

Brazilian Traction, Light and Power Company, Limited.

TWENTY-SIXTH ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS For the Year ended 31st December, 1938.

THE Board of Directors beg to submit their Twenty-sixth Annual Report and Accounts, together with a report by the President on the enterprises in Brazil.

The revenue of the Company resulting from the year's operations was as follows:

Revenue from Operating Companies - - - - -	\$10,149,058.04	
Interest on Investments and other Miscellaneous Income - - -	167,146.46	
		\$10,316,204.50
General and Administration Expenses - - - - -	\$ 346,523.89	
Provision for General Amortization - - - - -	300,000.00	
		646,523.89
Net Revenue - - - - -		\$ 9,669,680.61
Four Quarterly Dividends on Preference Shares - - - - -	\$ 23,604.00	
Dividend on Ordinary Shares:		
50 cents per share paid 5th July, 1938 - - - - -	3,512,223.95	3,535,827.95
Balance - - - - -		\$ 6,133,852.66

The net revenue shown in the above statement (less the dividends paid on the preference shares), is equivalent to approximately \$1.37¼ per share on the outstanding ordinary share capital at the end of the year.

The following comparative statement shows the combined earnings and charges of the operating companies and of this Company, and the resulting net income of this Company for the past four years.

EXCLUDING INTER-COMPANY ITEMS.	Year ended 31st December			
	1935.	1936.	1937.	1938.
Gross Earnings from Operation - - - -	\$30,221,757	\$32,197,610	\$38,555,900	\$38,078,934
Miscellaneous Revenue of Operating Companies - - - - -	357,637	196,070	442,145	100,499
Total Revenue of Operating Companies -	\$30,579,394	\$32,393,680	\$38,998,045	\$38,179,433
Less: Operating Expenses - - - -	\$14,144,485	\$14,507,503	\$17,379,793	\$17,826,269
Charge for Depreciation and Renewals - - - - -	8,008,054	8,286,742	6,809,016	6,823,339
Bond Interest - - - - -	2,000,103	1,984,786	1,979,221	1,908,553
Sinking Funds and other Charges -	674,406	667,670	754,911	772,214
Provision for General Amortization -	500,000	500,000	700,000	700,000
Total Charges of Operating Companies, (excluding Interest on Advances from Brazilian Traction, Light & Power Company, Limited) - - - - -	\$25,327,048	\$25,946,701	\$27,622,941	\$28,030,375
Balance being Revenue to Brazilian Traction, Light & Power Company, Limited -	\$ 5,252,346	\$ 6,446,979	\$11,375,104	\$10,149,058
Interest on Temporary Investments - - \$	77,419	\$ 96,978	\$ 107,141	\$ 93,241
Miscellaneous Income - - - - -	211,987	92,417	105,286	73,906
	\$ 289,406	\$ 189,395	\$ 212,427	\$ 167,147
Gross Revenue, Brazilian Traction, Light & Power Company, Limited - - - -	\$ 5,541,752	\$ 6,636,374	\$11,587,531	\$10,316,205
General and Administration Expenses - \$	331,514	\$ 392,486	\$ 401,250	\$ 346,524
Provision for General Amortization - -			300,000	300,000
Total Charges, Brazilian Traction, Light & Power Company, Limited - - - - \$	331,514	\$ 392,486	\$ 701,250	\$ 646,524
Net Revenue, Brazilian Traction, Light & Power Company, Limited - - - - \$	\$ 5,210,238	\$ 6,243,888	\$10,886,281	\$ 9,669,681

As will be seen by reference to the statistics appended to this report increases in the volume of business were again recorded during 1938 in all services of the operating companies.

As indicated in last year's report a serious exchange situation developed in Brazil during the last few months of 1937.

In the early part of 1938 however exchange was gradually provided to meet the arrears of payments for imports and throughout the year exchange has been provided regularly, but with some delay, for current imports. Naturally one of the important factors in considering the exchange situation and in large part serving to explain it is the condition of foreign trade which in the latter part of 1937 and the early part of 1938 recorded unfavourable trade balances, something unusual in Brazilian economy. This trend however was reversed in May and the accumulated trade deficit in 1938 was finally overcome in August. In the remaining months of the year the foreign trade returns recorded favourable balances for September and October but in November and December the results were again unfavourable, the year as a whole showing a favourable balance of only £81,950 paper.

The regulation of exchange through the Bank of Brazil under the monopoly granted to it as described in last year's report was maintained during the year and somewhat extended by further control measures, the exchange distributed being only in respect of imports and not for other purposes such as interest, dividends, etc. Exchange quotations during the year were largely nominal and variations in rates slight. On 31st December, 1938, the closing rates of the Bank of Brazil for sight drafts on New York and London respectively in payment of imports were 5.65 cents and 2-59/64d. as compared with 5.71 cents and 2-3/4d. at the close of 1937, these rates being exclusive of tax. The tax of 3% previously imposed on all purchases of foreign exchange was increased during the year to 6% in the case of exchange for purposes other than payment of imports as and when such exchange is available, and by recent decree this already onerous tax has been further increased to 10% while the tax in the case of imports has been increased to 5%, both of these taxes being heavy burdens on those doing business in Brazil.

In view of their probable bearing on the exchange situation it should be mentioned that in March, 1939, certain important finan-

cial arrangements were dealt with in an exchange of letters between representatives of the United States of America and Brazil respectively looking chiefly to the expansion of trade between the two countries and the improvement of exchange facilities for meeting exports from the United States; certain credits to be extended to Brazil for these purposes being contemplated. It is of course too soon to judge of the effect of these arrangements which will take time to work out but it is hoped that they may lead to improvement in Brazil's foreign trade and exchange.

A new decree regarding exchange was published on 10th April, 1939 which removes the monopoly exercised by the Bank of Brazil and leaves banks free to purchase export bills, such banks however being obliged to deliver 30% of this exchange to the Bank of Brazil at its official rates for Government requirements. The remaining 70% may be retained by the banks but their sales of this exchange are restricted to payments for imports, remittances for other purposes remaining under the control of the Bank of Brazil as heretofore. There has since been a decline in the exchange value of the milreis as quoted in the free market.

All payments have been punctually made to date under the agreement dated 29th June, 1933, referred to in previous reports, between the Bank of Brazil on behalf of the Government and N. M. Rothschild & Sons, providing for the liquidation in sterling by monthly instalments over six years, of certain milreis accumulations deposited with the Bank of Brazil by the participants in the arrangement including our companies.

The rates for certain services arbitrarily fixed by the authorities as described in previous reports still remain in effect and the Board regret they are unable to report any substantial progress in the adjustment of this situation.

The current assets and liabilities of the operating companies in Brazil were valued at the end of the year in dollars at the sight rate of exchange on New York at which the Bank of Brazil was closing exchange for payment of imports. The

combined earnings in dollars of the operating companies for the year which were published monthly and appear in total in the tabulated statement on page 3 of this report, represent the milreis figures calculated at the officially published average sight rates for exchange transactions on New York, with due allowance for the remittance tax.

Out of the year's revenue a total of \$6,823,339 has been provided by the operating companies for depreciation of their physical properties and a total of \$1,000,000 has been set aside for general amortization.

The cash expenditure on the properties of the operating companies during the year amounted to approximately \$17,700,000, representing additions, improvements and replacements essential to the proper carrying on of the services. The necessary adjustments have been made in plant and depreciation accounts in respect of works renewed or replaced.

The Board record with deep regret the death of Sir John Aird on 30th November, 1938, and of Mr. D. B. Hanna on 1st December, 1938. Both have been valued members of the Board for many years and their collaboration will be greatly missed.

Your directors desire to express their continued sense of appreciation of the loyal and efficient services rendered by all of the executive officers, heads of departments and other officials of the operating companies in Brazil.

Statistics and charts showing the growth of the different services are appended to this report.

By Order of the Board,

A. W. ADAMS,

TORONTO, CANADA,
May 9th, 1939.

Secretary.

REPORT OF THE PRESIDENT.

*To the Board of Directors of the Brazilian Traction,
Light and Power Company, Limited.*

TRANSPORTATION.

Traffic conditions in the city of Rio de Janeiro have been occupying the attention of the authorities and in March, 1939, a municipal decree was issued authorizing the appointment of a commission to draw up a project for the unification and co-ordination of the transportation services in the Federal District.

In the city of São Paulo a transportation commission has been created by the municipal authorities to assist them in the study of the problem of co-ordinated urban transportation in anticipation of the termination of the company's exclusive tramway privilege in that city in 1941.

Tramways.

Various minor track extensions were constructed and certain track removed resulting in a net decrease of 2.73 miles of track in operation at the end of the year.

42 passenger cars were added to the companies' rolling stock, all of which were built in the companies' shops, and 1 old service car was withdrawn from service, making a net increase of 41 cars.

Buses.

The number of buses in operation at the end of the year was 149, the same as at the end of the preceding year. Of the above fleet 30 vehicles have been equipped for and are operating with fuel oil.

SHOPS AND STORES.

The companies continued the policy of extending the scope of manufacture in the shops of equipment required for the various services, thereby increasing employment in Brazil and

reducing imports. A modern physical and chemical laboratory equipped with special instruments and apparatus was added to the shops during the year thus providing improved facilities for carrying out the great variety of tests and analyses connected with the extensive activities of the shops.

ELECTRIC LIGHT AND POWER.

Generating Plants.

Construction of the Serra development near São Paulo continued actively and the installation of the 4th and 5th generating units referred to in last year's report was completed during the year. The rectification work on the Pinheiros river and its affluents advanced satisfactorily and in conjunction therewith a pumping unit at the Rio Grande dam was installed.

Work was commenced on the modernization of the Lages power plant serving the Rio de Janeiro district which was first put into service over 30 years ago.

Distribution System.

During the year the connected transformer capacity was increased by the addition of 62,784 K.V.A. bringing the total up to 1,347,003 K.V.A. The construction of new duct lines and extensions of the underground cable system during the year increased the totals to 1,370.88 and 1,445.81 miles respectively.

The mileage of transmission lines in service at the end of the year totalled 1,977.69 miles, an increase of 64.53 miles. Overhead distribution lines showed an increase of 1,464.05 miles, the total mileage in service at the end of the year being 26,319.31 miles.

The number of poles set at the end of the year was 206,946, compared with 199,925 in 1937.

In the Federal District of Rio de Janeiro 701 electric lamps were added to the public illumination bringing the total number connected at the end of the year to 33,804.

In the city of São Paulo the net gain in electric lamps for public illumination was 1,758, the total number in service at the end of the year being 19,817.

GAS.

In the Rio de Janeiro gas works expenditures were confined to certain additions and improvements necessary to maintain the efficiency of the service pending the outcome of negotiations looking to the establishment of equitable rates for gas service in the Federal District.

In São Paulo various small modifications and improvements were made to the plant. Additional mains laid in São Paulo totalled 8.43 miles.

In Santos the principal item of work performed during the year was the adaptation of one of the retort house gas producers to burn breeze instead of coke resulting in substantial economy in operation. 3.88 miles of additional mains were laid in the Santos area in 1938.

TELEPHONES.

The increase in the number of telephones in service during 1938 was 12,527.

In the Federal District of Rio de Janeiro one floor was added to the present Ipanema automatic exchange building and the erection of buildings for the future extensions of the Ramos and Grajahú exchanges was commenced.

In the state of Minas Geraes the extending and remodelling of the city of Bello Horizonte exchange building was completed during the year and the installation of an 8,000 line automatic unit was commenced to replace the present 5,000 line unit. The local outside plant at Ubá was rehabilitated, also those in the cities of Cataguazes and São Thomaz de Aquino and in addition an entirely new local plant was constructed at Pedro Leopoldo.

In the city of São Paulo the addition of two floors to the Central exchange, commenced in 1937, was completed. The erection of the company's new 10-storey general office building in Rua 7 de Abril, referred to in last year's report, was also completed and occupied in September.

In the state of São Paulo the extension to the exchange building at Campinas was completed and the capacity of the automatic equipment brought up to 2,400 lines by the installation of an additional 400 lines. In Jahú 200 additional lines were installed increasing the capacity of the automatic equipment to 600 lines. At Cruzeiro the local outside plant was entirely rehabilitated and the old equipment replaced by a new 200 line magneto switchboard.

The number of automatic telephones in service on the company's system at the end of the year was 135,228, an increase of 22,744 over 1937. During the year, throughout the area served by the company, the net increase in toll line extensions placed in service totalled 2,248.7 miles, underground conduit constructed 113.5 miles, underground cable laid 68.6 miles and 63.5 miles of aerial cable strung. The net increase in the number of poles set at the end of the year was 14,296.

The international radio telephone service was by agreement with the local authorities made available to 7 additional municipalities in the state of São Paulo, namely Mogy das Cruzes, Cruzeiro, Barretos, Taquaritinga, Olympia, Garcia and Gallia.

In spite of continued efforts to secure the adjustment of rates as provided for under the Brazilian Telephone Company's concessions in the Federal District of Rio de Janeiro and in the city of São Paulo no relief has yet been granted to the company.

GENERAL.

The combined companies' services continued to show growth. Compared with 1937 there was an increase in passengers

carried by the transportation services of 1.95% and in kilowatt-hours sold an increase of 8.14% while the gas sales and telephone services showed increases of 6.15% and 6.85% respectively. While these indications of growth are satisfactory in themselves it must be borne in mind, as stated in last year's report, that the low rates imposed in certain of the services, together with increasing costs of operation, have considerably affected the operating results of these services.

Official Brazilian foreign trade statistics for the year 1938 show a net balance of trade in Brazil's favour expressed on a gold basis of £28,760 as against £1,922,253 in 1937 a decrease of £1,893,493 or 98.5%, while expressed on a sterling paper basis the corresponding figures were £81,950 and £3,329,325 a decrease of £3,247,375 or 97.5%. This favourable balance is the smallest since 1921 and this is principally due to a decrease in the sterling gold value of exports as compared with 1937 of 15.48% whereas imports only decreased 11.55%.

Exports of raw cotton continued to increase steadily in volume, there being an increase over the 1937 figures of 32,538 tons or 13.77%. There was a decrease, however, in the total sterling gold value of £1,459,000 or 18.19%. Expressed as a percentage of Brazil's total exports the sterling gold value of cotton was 18.25%.

The quantity of coffee exported during the year amounted to 17,112,524 bags, an increase of 4,989,715 bags or 41.16% as compared with 1937. This increase was principally due to the far-reaching measures adopted by the Government in November, 1937, referred to in last year's report. As expected, however, these measures resulted in a considerable drop in the average price of coffee for the year 1938 as compared with the previous year, so that, in spite of the large increase in shipments, the value in sterling gold showed a decrease of £1,695,000 or 9.48% as compared with 1937. Expressed as a percentage of Brazil's total exports, the sterling gold value of coffee in 1938 was 45.05%. During the year 8,004,000 bags of coffee were

destroyed, bringing the total quantity eliminated up to December 31st, 1938, to 64,733,000 bags.

In November, 1938, a decree-law was issued confirming and enforcing with certain alterations and additions the previously decreed new water code for Brazil. This code was first issued in July, 1934, but serious doubts were raised as to its validity. Many representations were made by those interested and the code and various amendments proposed thereto were under study by the authorities for some time prior to the November decree. In its present form it remains a very restrictive measure, involves additional taxation and unless modified will seriously hamper if not prevent the future development of new water power resources with foreign capital.

MILLER LASH,
President.

April 29th, 1939.

AUDITORS' REPORT.

To the Shareholders of the Brazilian Traction, Light and Power Company, Limited:

We have audited the Head Office accounts of the Brazilian Traction, Light and Power Company, Limited, The Rio de Janeiro Tramway, Light and Power Company, Limited (and its subsidiary, Brazilian Telephone Company), The São Paulo Tramway, Light and Power Company, Limited, São Paulo Electric Company, Limited (and its subsidiary, The San Paulo Gas Company, Limited), The City of Santos Improvements Company, Limited and Brazilian Hydro Electric Company, Limited, and have examined the certified reports and statements of Messrs. McAuliffe, Turquand, Youngs & Co., Chartered Accountants, in connection with all the subsidiary companies above enumerated except The City of Santos Improvements Company, Limited, in respect of which company we have examined the certified report and statement of Messrs. Deloitte, Plender, Griffiths & Co., Chartered Accountants, covering the capital and revenue accounts and provisions for depreciation in Brazil for the year ended 31st December, 1938. We have obtained all the information and explanations which we have required. Subject to the foregoing we report that, in our opinion, the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs at that date, according to the best of our information, the explanations given to us and as disclosed by the books of the companies.

The net revenues of the operating companies owned or controlled by Brazilian Traction, Light and Power Company, Limited, after provision for or payment of all losses, expenses and charges including depreciation, bond interest and sinking funds, as provided under contracts with them, are payable to and are included in the profit and loss account of the Brazilian Traction, Light and Power Company, Limited.

CLARKSON, GORDON, DILWORTH AND NASH, }
Chartered Accountants, } *Auditors.*

Toronto, May 5th, 1939.

CONSOLIDATED BALANCE SHEET OF

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED,

THE RIO DE JANEIRO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,
(and its Subsidiary, BRAZILIAN TELEPHONE COMPANY),

THE SÃO PAULO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,

SÃO PAULO ELECTRIC COMPANY, LIMITED,

(and its Subsidiary, THE SAN PAULO GAS COMPANY, LIMITED),

THE CITY OF SANTOS IMPROVEMENTS COMPANY, LIMITED and

BRAZILIAN HYDRO ELECTRIC COMPANY, LIMITED.

31st December, 1938.

ASSETS.

Capital Account—

Properties, Plant and Equipment, Construction Expenditure, at cost, including interest during construction, etc.	\$262,432,184.70
Cost of Shares and Securities of and Advances to Companies owned or controlled by Subsidiary Companies, including premium paid on Shares of Subsidiary and Sub-subsidiary Companies acquired	86,012,680.25
Rights, Franchises, Contracts, Goodwill, etc.	\$40,761,819.41
Discount and Issue Expenses on Bonds and Debentures	4,627,163.57
	<u>45,388,982.98</u>

\$393,833,847.93

Sinking Fund Holdings, at cost—

São Paulo Electric Company, Limited, First Mortgage Bonds

2,365,300.46

Current Assets—

Stores in hand and in transit, including construction material	\$ 12,123,359.03
As determined and certified by the management, at prices not exceeding cost.	
Sundry Debtors and Debit Balances after provision for doubtful accounts	6,901,110.08
This account includes bonds of subsidiary companies held for sinking fund purposes; amount of deposit, less instalments paid, under the so-called "Rothschild agreement" (Brazilian Government plan for liquidating in sterling during 6 years from August 1933 certain milreis accumulations awaiting remittance); also temporary investments in Government Securities in Brazil having a market value of \$404,737.23.	
Temporary Investments in Bonds of the Dominion of Canada or guaranteed by the Dominion of Canada at book value (Market value \$4,480,992.50)	4,431,751.37
Cash, including Brazilian currency valued at the closing rate of exchange at the end of the year as noted below	10,269,938.47

33,726,158.95

\$429,925,307.34

Note—The current assets and liabilities of the operating companies in Brazil were valued at the end of the year in dollars at the closing sight rate of exchange on New York at which the Bank of Brazil was closing exchange for payment of imports.

LIABILITIES.

Capital Stock—issued and outstanding—

7,028,465 Ordinary Shares of no par value	- - - - -	\$179,322,517.26
3,934 Six Per Cent. Cumulative Preference Shares of the par value of \$100 each	- - - - -	393,400.00
In addition to the above, 16,011 Preference Shares have been transferred to the Secretary on behalf of the Company in respect of the conversion of 96,066 Preference Shares into Ordinary Shares.		

Shares of Subsidiary and Sub-subsidiary Companies outstanding—

31 Ordinary Shares of the par value of \$100 each	- - - - -	\$ 3,100.00
14,543 Six Per Cent. Cumulative Preference Shares of £10 each (£145,430)	- - - - -	707,759.33
200,000 Six Per Cent. Cumulative Preference Shares of £1 each (£200,000)	- - - - -	973,333.33
		1,684,192.66

Total Capital Stock outstanding - - - - - \$181,400,109.92

Funded Debt—(Secured by Trust Deeds)—

The Rio de Janeiro Tramway, Light and Power Company, Limited—

Five per cent. 50-Year Mortgage Bonds (1st April, 1958)—Balance after Sinking Fund Redemptions (£3,348,285)	- - - - -	\$16,294,985.91
Five per cent. 22-Year Bonds (1st October, 1950) (£271,277) Unsecured	- - - - -	1,320,215.95
		\$ 17,615,201.86

The São Paulo Tramway, Light and Power Company, Limited—

Five per cent. Perpetual Consolidated Debenture Stock (£821,917)	- - - - -	3,999,996.05
São Paulo Electric Company, Limited—		
Five per cent. 50-Year First Mortgage Bonds (1st January, 1962) (£2,000,000)	- - - - -	9,733,333.33
		31,348,531.24

In addition, there are bonds outstanding, chiefly in sterling, of companies owned or controlled by a subsidiary company, equivalent to \$6,826,264 at par of exchange, on which the interest and sinking fund charges for the year amounting to \$392,916 are provided out of the revenue of the subsidiary company.

Current Liabilities—

Sundry Creditors	- - - - -	\$ 12,400,185.39
Bond, Debenture and Share Warrant Coupons and Dividend Cheques outstanding	- - - - -	316,974.06
Accrued Charges on Funded Debt	- - - - -	507,131.39
Credit Balances (Provisions for Contingencies and Insurance Funds for Injuries and Damages)	- - - - -	4,945,362.23
		18,169,653.07

Reserves—

*Provisions for Depreciation and Renewals (balance after meeting renewals to date)

Sinking Fund Reserves	- - - - -	\$77,142,039.14
General Amortization Reserves	- - - - -	9,387,397.73
General Reserves	- - - - -	19,494,713.01
		51,974,593.14
		\$157,998,743.02

Profit and Loss—Balances 31st December, 1938—

Brazilian Traction, Light and Power Company, Limited	- - - - -	\$40,862,857.99
Subsidiary Companies	- - - - -	145,412.10
		41,008,270.09
		199,007,013.11

\$429,925,307.34

*This Reserve includes Provision for Depreciation and Renewals of physical assets of companies owned or controlled by subsidiary companies.

On behalf of the Board:

MILLER LASH,
WALTER GOW, } Directors.

BRAZILIAN TRACTION, LIGHT

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1938.

Revenue from operating companies including interest on advances after payment of or provision for all their charges and expenses including Depreciation, Bond and Debenture Interest and Sinking Funds - - - - -		\$10,149,058.04
Interest on Temporary Investments - - - - \$	93,240.88	
Miscellaneous Income - - - - -	73,905.58	
		<u>167,146.46</u>
		\$10,316,204.50
General and Administration Expenses (including \$34,049.84 covering remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited) - - - - -	\$ 346,523.89	
Provision for General Amortization - - - -	300,000.00	
		<u>646,523.89</u>
Balance transferred to Profit and Loss Surplus Account - - -	\$	<u><u>9,669,680.61</u></u>

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) \$61,789.31.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies \$439,754.47.

AND POWER COMPANY, LIMITED.

PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1938.

Balance, 31st December, 1937	- - - - -	\$34,729,005.33
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Transferred from Profit and Loss Account	- - \$ 9,669,680.61
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Less Dividends:

Preference Shares	- - - - -	\$ 23,604.00
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Ordinary Shares—

50 cents per share paid 5th July,			
1938	- - - - -	3,512,223.95	3,535,827.95
		<u> </u>	<u> </u>
			6,133,852.66

Balance, 31st December, 1938	- - - - -	<u><u>\$40,862,857.99</u></u>
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STATISTICS OF COMBINED COMPANIES.

SERVICE	TRACTION				
	1934.	1935.	1936.	1937.	1938.
<i>Tramways:</i>					
Total Track (miles) - - - - -	533.46	545.15	545.44	543.61	540.88
Rolling Stock:					
Passenger Cars - - - - -	1,934	1,937	1,962	2,000	2,042
Freight and Service Cars - - - -	310	311	301	299	298
<i>Funicular Railway:</i>					
Total Track (miles) - - - - -	2.56	2.56	2.56	2.56	2.56
Rolling Stock:					
Electric Locomotives - - - - -	4	4	4	4	4
Passenger Cars - - - - -	4	4	4	4	4
Freight and Service Cars - - - -	2	2	2	2	2
<i>Steam Railway (Cubatão):</i>					
Total Track (miles) - - - - -	13.13	13.13	13.20	13.20	13.20
Rolling Stock:					
Steam Locomotives - - - - -	4	3	3	3	3
Passenger Cars - - - - -	2	2	2	2	2
Freight and Service Cars - - - -	42	42	42	42	42
<i>Buses:</i>					
Route (miles) - - - - -	193.15	194.29	177.30	161.55	161.55
Number of Buses - - - - -	166	160	164	149	149
<i>Car Miles Run:</i>					
Tramways - - - - -	62,856,916	64,358,950	68,822,189	70,820,314	73,425,567
Funicular Railway - - - - -	15,438	16,043	16,413	15,804	17,273
Buses - - - - -	7,165,010	7,535,277	8,087,038	7,935,854	7,582,936
Total - - - - -	70,037,364	71,910,270	76,925,640	78,771,972	81,025,776
Area Served (square miles approximate) -	151	154	154	154	154
Population Served (approximate) - - -	3,204,850	3,262,540	3,415,600	3,576,300	3,712,000
Total Passengers Carried - - - - -	782,406,381	823,796,758	882,882,798	913,663,950	931,474,961

ELECTRIC LIGHT AND POWER

Kilowatt Hours Sold - - - - -	1,013,977,127	1,119,893,048	1,235,689,195	1,352,491,613	1,462,587,889
Capacity of Generating Plants (K.W.) -	321,484	321,484	367,934	412,484	524,484
Total Connected Load (K.W.) - - -	783,083	797,396	870,182	962,812	1,047,456
Total Consumers - - - - -	387,808	413,526	442,057	472,563	500,551
Transmission Lines (miles of circuit) -	1,642.01	1,731.60	1,886.82	1,913.16	1,977.69
Distribution Lines (miles of wire) - -	21,372.34	22,322.05	23,528.54	24,855.26	26,319.31
Area Supplied (square miles approximate)	11,442	11,540	11,601	11,678	11,749
Population Served (approximate) - - -	4,469,000	4,546,000	4,761,000	4,939,000	5,109,000

GAS

Gas Sold (cubic metres) - - - - -	105,289,685	113,143,923	120,328,276	129,496,900	137,460,964
Total Consumers - - - - -	89,042	96,963	106,448	117,167	127,462
Mains Laid (miles) - - - - -	1,073.17	1,099.18	1,118.59	1,138.89	1,158.71
Stoves, Water Heaters and Other Appliances - - - - -	120,688	131,417	144,013	158,148	171,615
Area Supplied (square miles approximate)	93	96	96	97	97
Population Served (approximate) - - -	2,133,000	2,206,300	2,341,300	2,424,000	2,471,000

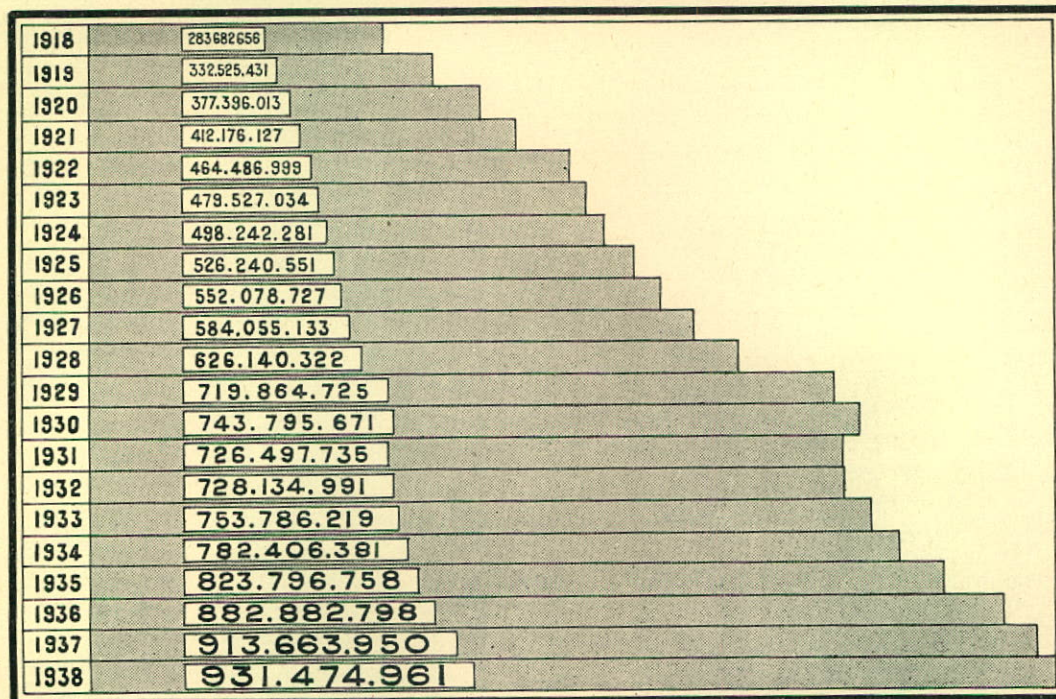
WATER

Water Sold (cubic metres) - - - - -	9,970,876	10,487,893	10,801,942	11,268,409	11,652,484
Total Consumers - - - - -	18,274	19,121	20,066	20,954	21,786
Trunk Mains Laid (miles) - - - - -	38.68	38.68	38.68	38.68	38.68
Distribution Mains Laid (miles) - - -	224.69	231.87	239.57	245.83	249.91
Area Supplied (square miles approximate)	52	52	53	53	54
Population Served (approximate) - - -	170,000	170,000	179,000	179,000	179,000

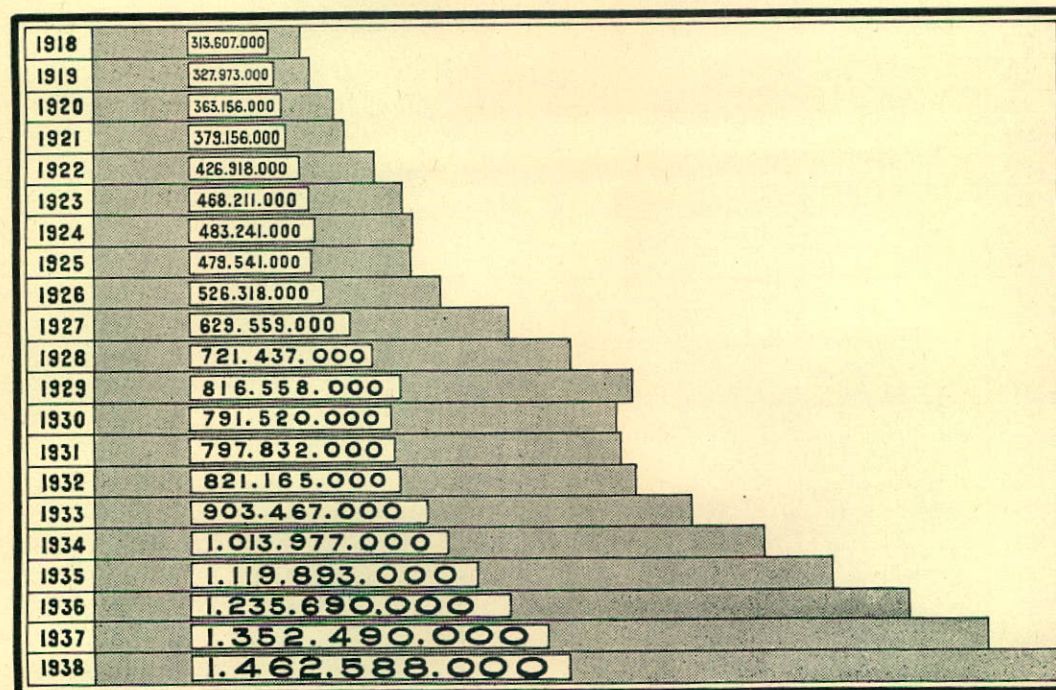
TELEPHONES

Total Number of Telephones in Service -	134,886	149,034	165,852	182,840	195,367
Average Daily Calls - - - - -	1,886,773	2,195,476	2,487,875	3,025,194	3,356,967
Wire Strung (miles) - - - - -	594,147	669,999	783,942	910,290	1,007,380
Pole Lines (miles) - - - - -	5,734	5,865	6,158	6,203	6,857
Area Served (square miles approximate) -	85,946	85,946	85,946	88,896	94,960
Population Served (approximate) - - -	9,447,000	9,673,000	9,781,000	10,121,000	10,483,000

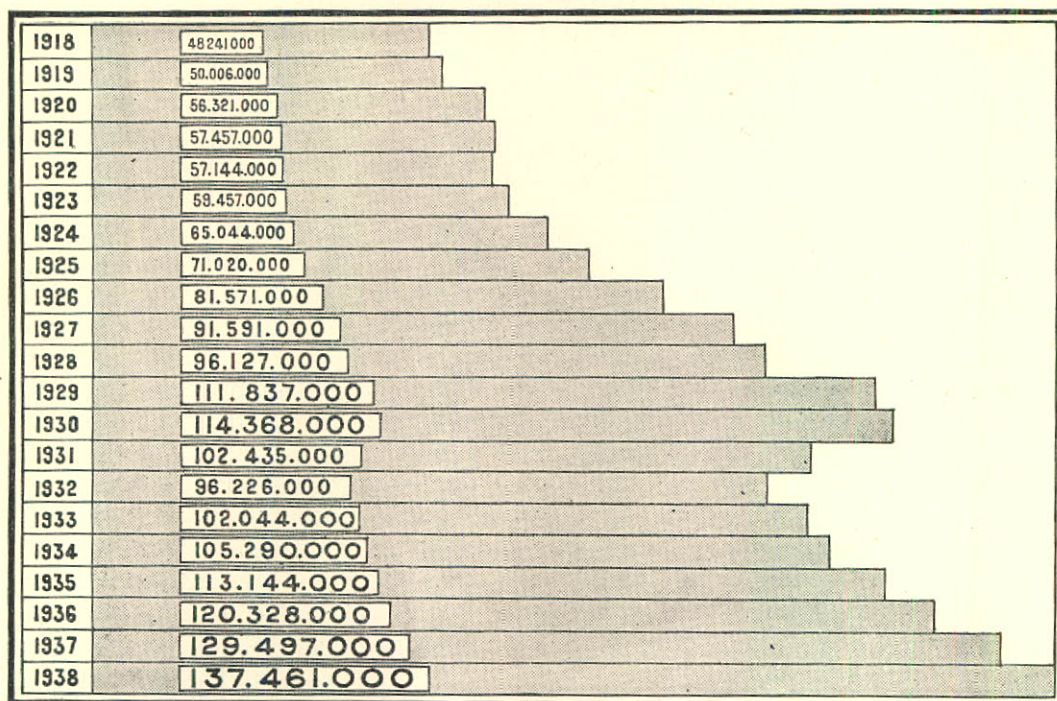
TRACTION SERVICES-PASSENGERS CARRIED



SALES OF ELECTRICAL ENERGY-K.W. HRS.



GAS SALES-CUBIC METRES



NUMBER OF TELEPHONES IN SERVICE

